

**DEPARTMENT OF STATE REVENUE**

**LETTER OF FINDINGS NUMBER: 98-0622P**

**Gross and Adjusted Gross Income Tax**

**Calendar Years 12/31/91, 12/31/92, 12/31/93, 12/31/94, and 12/31/95**

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**ISSUE(S)**

**I. Tax Administration – Penalty**

**Authority:** IC 6-8.1-10-2.1(d); 45 IAC 15-11-2

Taxpayer protests the penalty assessed.

**STATEMENT OF FACTS**

Taxpayer is incorporated in Virginia and has a manufacturing plant in Indiana. Its main purpose is research and development of plastic film products.

An audit was completed on January 19, 1998 that resulted in an adjusted gross income tax assessment for failure to add back real estate and personal property taxes contained in taxpayer's federal cost of goods section. Taxpayer also failed to include all receipts for the sales of tangible personal property as shown on its workpapers.

Taxpayer protests the penalty and states it incurred employee turnover during 1995 and 1996 when the tax returns were prepared. It hired temporary employees and outside consultants and as a result of these individuals being unfamiliar with taxpayer's financial reporting and operations, the real estate taxes were not reported as an Indiana add-back.

**I. Tax Administration –Penalty**

**DISCUSSION**

Taxpayer was assessed a negligence penalty for failure to add back property taxes and states it had employee turnover who were not familiar with company operations and financial reporting.

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Taxpayer should have reviewed the returns for accuracy. In both 1995 and 1996 the issue was the same. The Indiana Code, Regulations, and Tax Return Instructions are clear regarding add-backs.

Taxpayer has not demonstrated reasonable cause.

**FINDING**

Taxpayer's protest is denied.